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Annual Report

2002

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Letter from the Minister

MINISTER OF EDUCATION, TRAINING AND YOUTH

Room 168
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

The Honourable Peter Liba
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg, MB R3C 0V8

Your Honour:

I have the privilege of presenting the Manitoba Education, Research and Learning Information Networks (MERLIN) Annual Report for the operational year ending March 31, 2002.

Yours sincerely,

Honourable Drew Caldwell

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Deputy Minister of Education, Training and Youth

Room 162
Legislative Building
Winnipeg, Manitoba CANADA
R3C 0V8

The Honourable Drew Caldwell
Minister of Education, Training and Youth
Room 168, Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Minister:

I am pleased to submit the 2001-02 Annual Report of the Manitoba Education, Research and Learning Information Networks (MERLIN) special operating agency for the year ending March 31, 2002.

MERLIN realized savings of over $360,650 for the education community during the past year in provincial licensing and audio conferencing alone.

In the past fiscal year, MERLIN has been very successful in implementing changes in re-establishing itself as an effective and valuable educational organization.

I would like to take this opportunity to thank all staff for their dedication and efforts that have contributed towards MERLIN's success. I am sure that MERLIN will meet its future challenges.

Respectfully submitted,

Ben Levin

Message from the Chief Operating Officer

MERLIN has had a very successful year implementing new initiatives of the 2001-02 Business Plan which included an increasing emphasis on the K-S4 system, focusing on provincial services, improving access to MERLIN's services for rural and northern schools, improving accountability and proactive planning. The Agency anticipates that these actions will help schools and school divisions become self-sustaining in the use of technology, provide equitable service between urban and rural school divisions, and assist in the development of standards which should lead to higher reliability and lower costs. We believe that the ongoing changes and consultations with stakeholders will have positive impacts on learners in the province.

I am pleased to report on the activities and accomplishments on some of these initiatives in the past fiscal year:

- ***School connectivity*** - Staff have investigated various communication technologies including wireless, satellite and fibre optic cable and have provided assistance to schools in matching needs to the appropriate technology.
- ***Provincial software licensing*** - We have helped a number of school divisions to understand the status of their current licensing situation as well as produced and circulated a "Best Practices Licensing Guide".
- ***School computing architectures*** - We have investigated, reviewed and developed a set of target computing architectures based on current industry best practices specifically designed for school use.
- ***Communication with the education community*** - We have made attendance at all Computer Education Coordinators of Manitoba (CECM) meetings, technician meetings and various educational events a priority. The MERLIN Advisory notifies key personnel of urgent matters related to the use of technology in schools. Through the use of our quarterly newsletter and our recently revamped web site, we are attempting to reach as many members of the educational community as possible.
- ***Annual Technology Day 2001*** - A new format was introduced which appealed to all attendees. We very much appreciate the support of the vendor community and our speakers for once again making this a success.

We have also begun several initiatives for the next school year. These include:

- Access to MRnet, Manitoba's connection to the world's leading high-speed research networks, will be available to Manitoba schools in the next school year.
- We have recently installed an educational portal environment, based on SUN's iPlanet architecture. Five school divisions are participating in a pilot until the end of August 2002 to assess the usability and costs of this environment for schools. Beginning in September, we plan to make the portal environment available to all Manitoba schools.

I sincerely appreciate the dedicated efforts of all staff who have demonstrated that hard work and commitment towards a common goal can lead to real success. I would also like to thank the education community for their continuous feedback, support and partnership in our achievements.

GREG BAYLIS
Chief Operating Officer

Agency Profile

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BACKGROUND

Manitoba Education, Research and Learning Information Networks (MERLIN) was established in 1995 as a special operating agency with the Department of Education, Training and Youth. It was formed as a facilitating body to coordinate the delivery of technology services to the education community across Manitoba.

Following a five-year Effectiveness Evaluation, MERLIN revisited its goals and objectives and re-focused its efforts to be more pro-active and responsive to the needs of the education community.

MISSION

- To support the use of technology in improving educational services to learners.

MANDATE

- Provide services that support educational institutions in the application of technology tools to enhance and expand program delivery; and
- Provide direction and management in the educational use of networks, acting as a broker of services to meet client needs.

CRITICAL SUCCESS FACTORS

- ***Improve accountability*** - Present a more meaningful and clear picture of MERLIN's financial position: A Memorandum of Understanding (MOU) between the Department of Education, Training and Youth was signed to develop clear service delivery expectations in return for the annual funding provided to MERLIN through the annual estimates process. This also included the consolidation of all other existing financial agreements with the Department into a single MOU to facilitate a more efficient administrative process. This MOU will be reviewed annually to ensure that valuable resources are focused on the areas of highest priority.
- ***Focus on the K-S4 system*** - The Agency will increase its focus on the K-S4 system to improve services. The Department of Education, Training and Youth, post-secondary institutions and other government organizations are regarded as secondary markets.
- ***Focus on provincial services*** - MERLIN will continue to provide per diem technical consulting services but will redirect technical efforts to emphasize providing more broad-based services that benefit all school divisions. Included in this activity is a collaborative undertaking to develop provincial standards for the use of information technology in schools that should result in cost savings and other efficiencies to school divisions.
- ***Improve access to MERLIN's services for rural and northern schools*** - The Agency will offset the travel costs to rural and northern school divisions so that these divisions will have the same opportunity to access MERLIN's services as those in Winnipeg.
- ***Proactive planning*** - MERLIN will begin making provision to address expected further growth in areas such as distributed learning and regionally based services.

Agency Profile

GOALS AND OBJECTIVES

Goals:

- Provide products and services in a manner which improves equity across the Province;
- Provide products and services that support self-sufficiency at the school division level;
- Facilitate and support improved communication between the Department of Education, Training and Youth and school divisions in the area of learning technologies;
- In consultation with the Department provide support and direction in distance learning initiatives with a focus on the technology infrastructures required to deliver distance learning opportunities;
- Support the goals of the Department of Education, Training and Youth;
- Be pro-active in embracing opportunities and fostering relationships to the advantage of the educational community.

Objectives:

- Aggregate demand across the Province for hardware and software to provide better opportunities for all divisions;
- Improve ability to provide services and products to French schools;
- Build on existing business relationships with suppliers to improve the range of connectivity options available to remote school divisions;
- Develop linkages with aboriginal organizations to improve their ability to take advantage of our initiatives;
- Provide services to rural and northern school divisions at costs similar to urban divisions to increase equity among all divisions;
- Collaboratively develop provincial standards across the K-S4 system for use of information technology that will result in higher reliability and lower costs;
- Provide training to school divisions to assist them in acquiring the skills required to sustain operations and enhance their technology infrastructures;
- Deliver specific services directly to those divisions where the technical resources are unavailable;
- Play a coordinating role in promoting a collaborative approach among school divisions in order to maintain standards and apply economies of scale;
- Continue to regularly meet, consult, discuss, and collaborate with the Department and school divisions to strengthen ties between curriculum planning and technology supply.

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SERVICES

Provincial Licensing/Purchasing:

Licensing and purchasing on a province-wide basis will help ensure consistency in hardware and software products and will provide economies of scale for smaller school divisions.

- Purchase advice and assistance for hardware such as routers, switches and firewalls
- Negotiation of software licensing agreements and hardware discounts
- Advice on licensing and purchasing of software

Conferencing Services:

Audio Conferencing services provide school divisions and post-secondary institutions with an option for course delivery and communication. Other government departments and organizations subsidize the cost to education by using excess bridge time.

- Operation of a 68-port digital audio conference bridge
- Audio conferencing advice and consultation
- 24x7 technical support and maintenance

Internet Services:

- Internet account packages (school or individual teacher accounts)
- Dial-up modem pool
- High speed direct connect services
- Help line support (1-800 service and email)
- Manitoba School Email Network (MSEN) Internet accounts
- MERLIN Advisory (requiring immediate action from school divisions)
- Internet content filtering services for schools, school divisions, individual modem users
- Listservs (set-up and administration)

Web Delivery Services:

- Technical support of the WEB server
- Technical maintenance of the Departmental WEB page
- WebCT administration and maintenance
- Web and email hosting

Agency Profile

Information Technology Services:

In general, these services fall within the areas of network, desktop, and security.

- Technical evaluations of computer equipment and networks
- Advice on the selection of technical equipment and services
- Support for the installation and maintenance of computer labs and systems
- Advice on technologies that support distance education delivery
- Research and development
- Router networks and support
- Network systems management
- Security services (Virtual Private Networks, Wide Area Networks, etc.)
- Facilitation and coordination of the IITV communications User Group
- General support for the education community

Technical Training:

Customized training to school divisions assists them to sustain operations and enhance their own technology infrastructures. Training services are intended to provide education-specific training in areas where it might not normally be available.

- Support for applications of distance education
- Delivery of workshops and seminars on distance education topics
- Seminars and workshops related to the practical use of technology. Examples:
    - Licensing
    - Network security
    - GroupWise
    - BorderManager
    - Basic network administration
    - Windows 2000/XP Professional
    - Desktop Management

Provincial Technology Standards:

MERLIN has a core of highly trained specialists who play a role in developing core infrastructures and technology standards. The intent is to lead a collaborative process with participation by the K-S4 community to develop and implement standards for the use of technology across Manitoba. This is an ongoing process intended to lead to lower costs for school divisions through standardization and collaboration.

- Create and maintain architectural design standards and models
- Develop and institute 'best prac e' guidelines for installation and ongoing operation of hardware and software infrastructures
- Design an educational portal for cost-effective and efficient use of Internet connectivity
- Translate licensing and purchasing agreements into models that have direct application for most divisions

MARKETS

Primary:

Schools and school divisions (K-S4) comprised of approximately 56 school divisions, over 700 public schools, 90 independent schools and over 50 band-operated schools within approximately 62 First Nations.

Secondary:

Approximately 7 post-secondary institutions, adult learners, Department of Education, Training and Youth, Advanced Education and educational organizations

Tertiary:

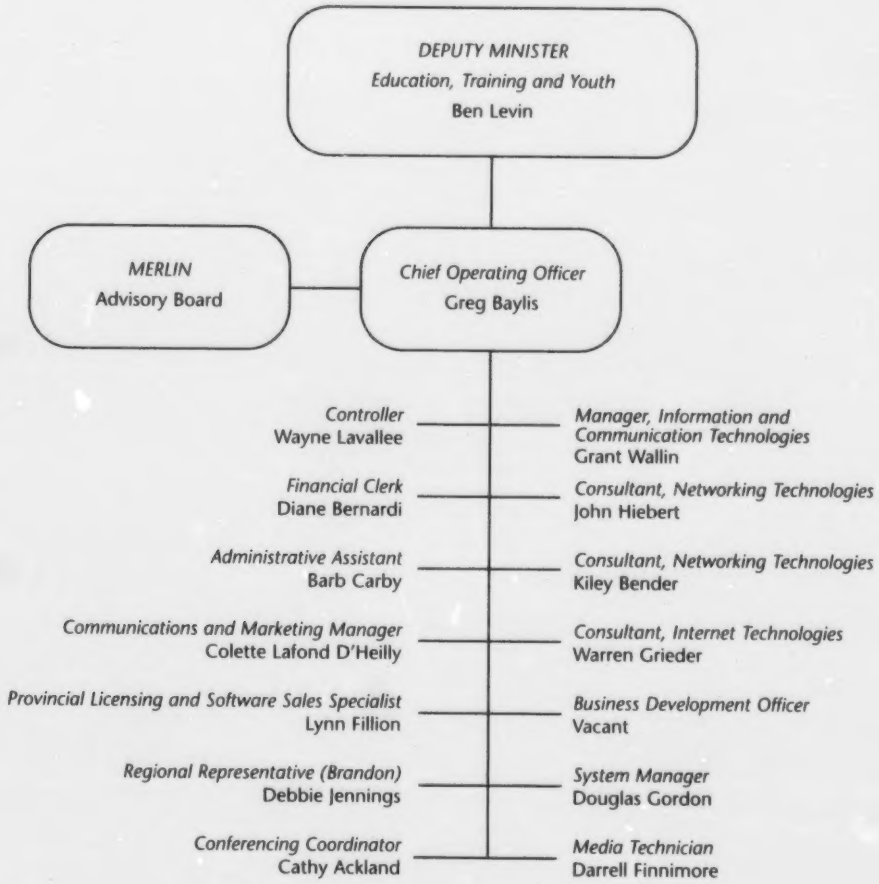
Other government departments and related organizations

While MERLIN does not have a monopoly for its services within the province, it does have a unique understanding of the technology requirements of the education community. The Agency attempts to foster cooperative relationships with private industry to benefit the education community.

Agency Profile

ORGANIZATIONAL STRUCTURE

MERLIN has 12 permanent staff years in addition to term and contract employees.



The Chief Operating Officer provides direction and leadership to the Agency to meet the needs of clients within the framework of Government and Departmental policies and initiatives. He reports directly to the Deputy Minister of Education, Training and Youth.

As of March 31, 2002, MERLIN's Advisory Board membership was chosen by the Minister of Education, Training and Youth. It is expected that this Board will become active early in the next fiscal year.

The Board is composed of the following areas of representation from the education community:

- Departmental Representatives (2)
- Northern Representative (1)
- Aboriginal Representative (1)
- Urban Representative (1)
- Rural Representative (1)
- Computer Education Coordinators of Manitoba (CECM) Chairs (2)
- Chief Operating Officer, MERLIN

MERLIN moved its main office to the University of Manitoba in the Education Building in September 2001. An Open House of the new premises took place in November. A regional office is also located near Brandon.

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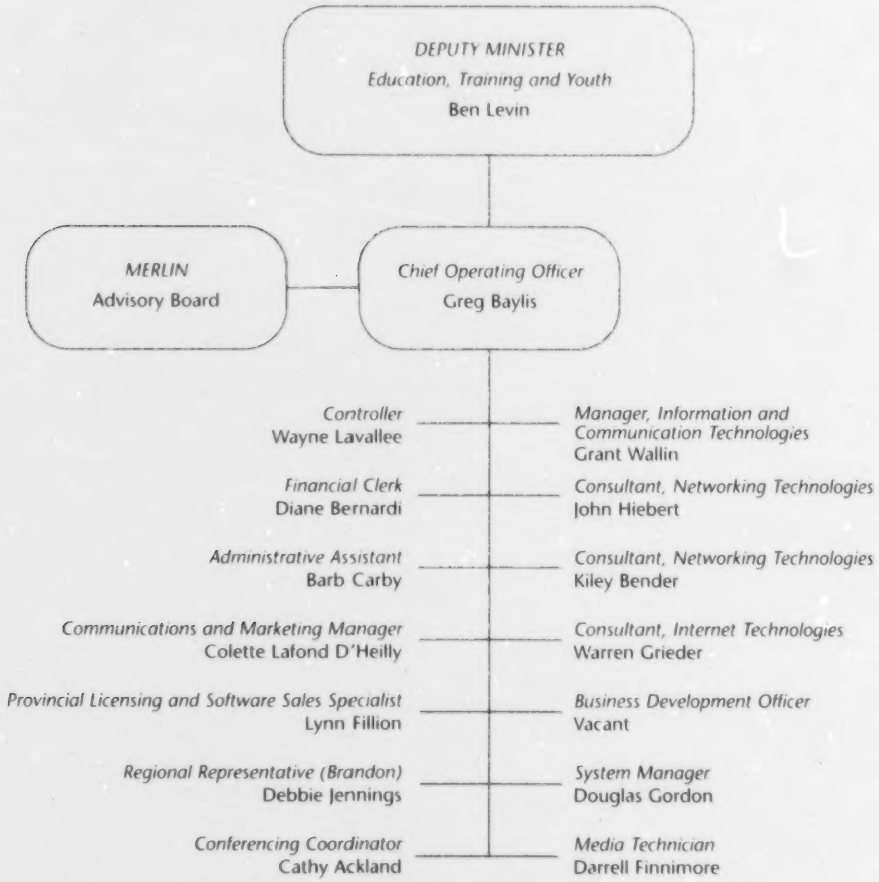

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PERFORMANCE TARGETS AND ACCOMPLISHMENTS

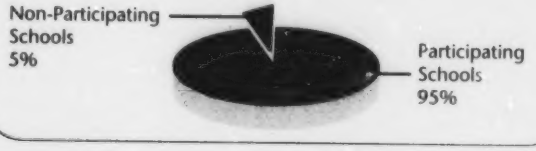
Provincial Licensing and Purchasing

MERLIN has negotiated provincial licensing agreements on behalf of the school divisions and post-secondary institutions. To date, the following provincial licensing agreements are available to schools and educational institutions:

- ***Microsoft Educational Select Agreement*** - In a cost comparison of the Microsoft Educational Select Agreement the school divisions pay 30-60% less than the next best licensing option.
- ***Corel CLP Universal Agreement*** - The licenses available through this program are 75 to 80% below standard retail prices.
- ***Symantec Pay-As-You-Go License Program*** - In a cost comparison of the Symantec Agreement the school divisions pay 40-50% less than the educational 500 - 999 unit price level.
- ***WebCT*** - WebCT is a Web-based set of course tools designed to deliver online learning. Negotiation of licensing provided a 20% discount to participating schools and post-secondary institutions.

MERLIN has also been involved with negotiating educational pricing for NCS Learn and Novell. School divisions and post-secondary institutions purchase directly through the software vendor.

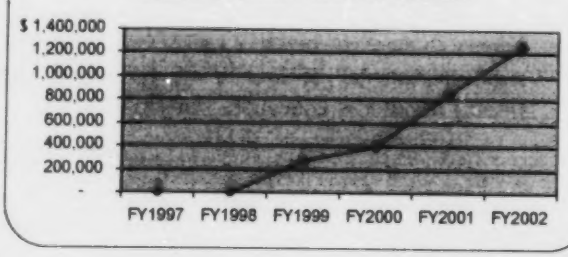
Public Schools Participating in the Microsoft Select Program



The following chart demonstrates that 95% of Manitoba public schools benefit in cost savings from the Microsoft Select Program.

MERLIN continues to improve its service delivery in this area. In the past, the Microsoft Select Agreement prohibited the participation of aboriginal communities in this program. MERLIN has been influential in the extension of these benefits to the aboriginal community. They are now eligible to participate in all of the software programs. These improvements have had a positive affect on sales volumes for licensing agreements.

MERLIN Software Sales



MERLIN also delivers the following value added services to the school divisions:

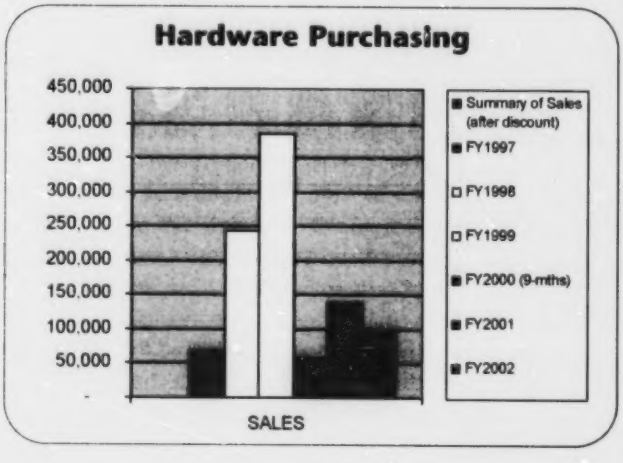
- Help line support to ensure schools are purchasing the appropriate licenses for their needs
- Sales reports to assist schools with software license asset management
- Up-to-date information on licensing changes and pricing on the MERLIN website

MERLIN will continue to survey school divisions on an annual basis to determine if any opportunities for additional agreements exist.

Hardware Purchasing:

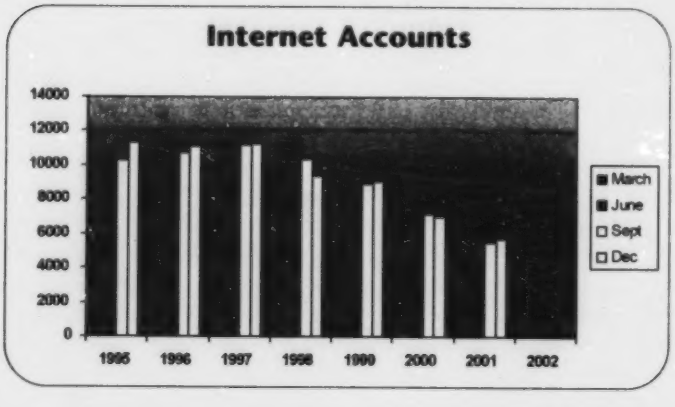
In 1996-97, MERLIN negotiated a Cisco Agreement that provided a 30% discount off the retail price for all Cisco products for the education community. This Agreement is now under review.

The Summary of Sales includes the purchasing of routers, switches, firewalls and virtual private networks (VPNs).



INTERNET

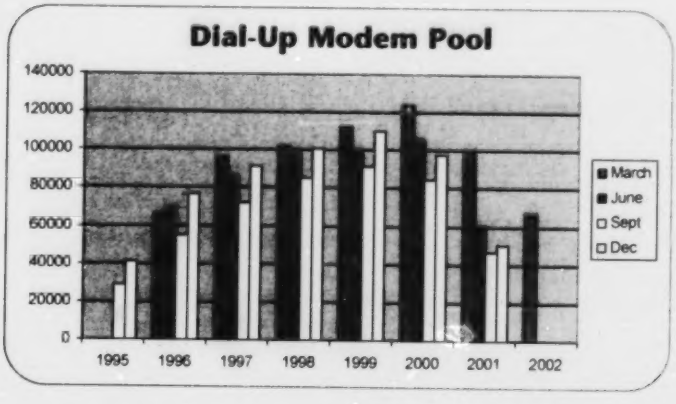
Internet accounts:



Interestingly, there are fewer MINET accounts today than when MERLIN was created. Our accounts peaked in June 1998. However, the Agency is not losing the users who are dialling to the modem pool. The decrease is due to school divisions running their own email server in both rural and urban divisions.

Manitoba School Email Network (MSEN) Internet Accounts:

These accounts were created to allow for easy distribution of information to all schools in the province electronically. These accounts are provided at no charge. The Agency will be revisiting this service in the new fiscal year.



The decline of modem connect hours is due to the switchover to Digital Subscriber Line (DSL) and cable modems.

High Speed Direct Connect Services:

Historical:

- In 1997-98, the Agency brokered Integrated Services Digital Network (ISDN) services to 28 school divisions. Due to technical advances of newer and lower priced high-speed services, these ISDN services were replaced by a less-expensive infrastructure.
- In 2000-01, MbNet, the host of MERLIN's MINET Internet service to schools was purchased by a third-party which increased MERLIN's access costs. Internet revenue was impacted primarily because urban school divisions opted for less expensive Internet connectivity. The Agency investigated opportunities to offset this declining revenue.

Current Status:

- Extensive research was undertaken during the past fiscal year on the status of high speed Internet connectivity for all schools in Manitoba.
- A new initiative is underway within the City of Winnipeg called the WPSN (Winnipeg Public Sector Network). Its purpose is to investigate building a dark fibre network for all public sector funded organizations including police stations, libraries, fire/paramedic stations, government offices, hospitals, medical clinics and schools. The fibre will allow a very high speed MAN (Metropolitan Area Network) to be implemented for school divisions. MERLIN's role is to provide assistance to Winnipeg school divisions by arranging individual meetings with each division to discuss details of this potential network and determine if this initiative meets their needs.

Help Line Support:

The Agency's Help Line continues to be widely used for free technical support on concerns ranging from Internet access to network and computer hardware issues.

MERLIN Advisory:

MERLIN sends out an Advisory to notify key personnel of urgent matters related to the use of technology in schools.

Content Filtering:

MERLIN started providing this service on July 1, 2001. To date, 10 school divisions are participating including approximately over 18,000 workstations.

Email List Server:

In December 2001, MERLIN implemented an email list server for the purposes of encouraging communication between and within organizations. These electronic mail discussion lists give each mailing list a unique web page and allow users to subscribe, unsubscribe, and change their account options over the web. Even the list manager can administer his or her list entirely via the web. It offers most of the features that people want in a mailing list management system, including built-in archiving, mail-to-news gateways, Spam filters, bounce detection, digest delivery, and so on. To date, 15 lists have been created.

WEB DELIVERY

Technical support of the WEB server and Maintenance of the Departmental Web page - This is included in the Memorandum of Understanding (MOU) between the Department and MERLIN. The total web page file count on the server is 10,477. Many of these will be redirected due to the switchover to a new format this year. The actual web page count is likely to be around 7,500.

WebCT administration and maintenance - MERLIN hosted, on its servers, a number of secondary school courses for web-based distance delivery. This provided an opportunity for teachers to create and deliver courses and for students to access courses not otherwise available. Approximately, 290 students were registered for the Distance Learning and Information Technology Unit (DLITU) courses and 500 students were registered in the InforMNet courses. Improved access and support for distance delivery benefited the education field.

Web and email domain hosting - Initial start up was in 1997. This service allows education and educational organizations to have a presence on the Internet at very affordable rates.

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TECHNICAL TRAINING

Customized training to school divisions assists them to sustain operations and enhance their own technology infrastructures. Training services are intended to provide education-specific training in areas where it might not normally be available. MERLIN is responsive to the needs of school divisions and organizes workshops and training sessions to meet their expressed needs. School division technicians, computer coordinators, teachers, and administrative staff attend MERLIN's workshops. Whenever possible, MERLIN delivers workshops in rural communities making the training more accessible to rural school divisions.

SEMINARS AND/OR WORKSHOPS DELIVERED (April 1, 2001 to March 31, 2002)	**CLIENT**
● Licensing (3 presentations)	Swan Valley School Division Winnipeg School Division CECM Coordinators
● ZENworks (Two - 2 day sessions)	Various school divisions in the Parkland/Westman area (Brandon)
● Basic Netware Administration	Frontier School Division (Nelson House)
● Distance Education	
◗ Orientation to Distance education (2 workshops)	◗ River East School Division (Continuing Ed)
◗ Building a Learning Community in Cyberspace (2 workshops)	◗ Riding the Wave Annual Conference (Gimli)
◗ Student Support in Distance Education - How can we provide what's necessary?	◗ Keewatin Community College (Th Pas) with video link to Thompson
◗ Building Learning Communities with the Distance Learning Partnership Program (4 workshops)	◗ Winnipeg and Brandon
◗ Orientation to Distance Education and WebCT	◗ ManACE Group (Virden)
◗ Coordination of the newly formed Manitoba Association for Distributed Learning and Training (MADLaT)	◗ Initial meeting and first annual conference in March 2002

To facilitate attendance, some workshops have been arranged to coincide with other events including Riding the Wave, ManACE workshops, the Computer Education Coordinators of Manitoba (and technicians) Annual General Meeting, MERLIN's Annual Technology Day, and annual teacher conferences, etc.

MERLIN's training sessions attract personnel from many school divisions throughout the province.

TECHNOLOGY STANDARDS AND BEST PRACTICES

MERLIN's intent is to lead a collaborative process with participation by the K-S4 community to develop and promote standards and/or best practices for the use of technology across Manitoba. This will be an ongoing process. This is a new area of our service delivery and we intend to build on the following:

- **Create and maintain technical architectural design standards and models** - MERLIN has carefully reviewed various computing architectures. A presentation on Wide Area Networks (WAN) architectures was delivered at the Agency's Annual Technology Day.
- **Develop and institute "best practice" guidelines for installation, operation of hardware and software infrastructures.** Examples of what have been done in the last fiscal year are:
  - ***Software Licensing Guide***
  - ***School Security and Acceptable Use Policies***
  - ***Internet Connectivity*** - Extensive research and staff resources have been expended on investigating various communication technologies including wireless, satellite and fibre optic cable. Much of this time was spent working closely with many school divisions to help match appropriate technology to their needs. The information compiled will outline various strategies that could be implemented to improve school connectivity.

Internet quality in Manitoba schools (by number of schools) - as of March 2002:

QUALITY	# OF SCHOOLS	PERCENTAGE
High Quality	229 schools	31%
Adequate Quality	201 schools	28%
Poor or none	289 schools	41%

Access to minimal (greater than 1Mb/s) High-Speed connectivity (by number of communities with schools) - as of March 2002:

REGION	# OF COMMUNITIES	PERCENTAGE
Urban	4 communities	100%
Rural	26 communities	11%
North	4 communities	9%

INFORMATION TECHNOLOGY SERVICES

Generally, these services fall within the areas of network, desktop, and security. The following recaptures work and progress completed.

- ***Technical evaluations of computer equipment and networks*** -
  - Kelsey School Division
  - Flin Flon School Division
- ***Advice on the selection of technical equipment and services***
- ***Support for the installation and maintenance of computer labs and systems*** - Desktop management and network support is provided to Manitoba School for the Deaf (MSD) two days per week, as part of the MOU with the Department of Education, Training and Youth.
- ***Advice on technologies that support distance education delivery*** -
  - This includes the delivery of workshops and seminars on distance education topics
  - Research and recommendations on web-based tools
- ***Research and development*** - We have recently completed research on:
  - Various communication technologies including wireless, satellite and fibre optic cable
  - Content filtering solutions
  - Requirements for school computing architectures
  - Research on the SUN iPlanet, one of the premier Internet portal packages on the market. It supports a wide range of services including web-based mail and calendaring, personalization, authentication, secure access to internal network via the Internet, etc. Staff are currently experimenting with it.
  - Research on software compliancy and management
  - Research on various seminars and workshops related to the practical use of technology.
- ***Router networks and support***
- ***Network systems management***
- ***Security services*** (Virtual Private Networks, Wide Area Networks, etc.) -
  - Research on firewall solutions
  - Anti-virus software
- ***Facilitation and coordination of the IITV communications User Group*** - Audio conferencing meetings totalled 2,833 port minutes for the past fiscal year.
- ***General support to the education community*** - MERLIN has made attendance at all CECM meetings, technician meetings and various educational events a priority. The Agency has also implemented the MERLIN Advisory to notify key personnel of urgent matters related to the use of technology in schools. Through the use of quarterly newsletters, an annual technology day and the recently revamped web site, MERLIN is attempting to reach as many members of the educational community as possible.

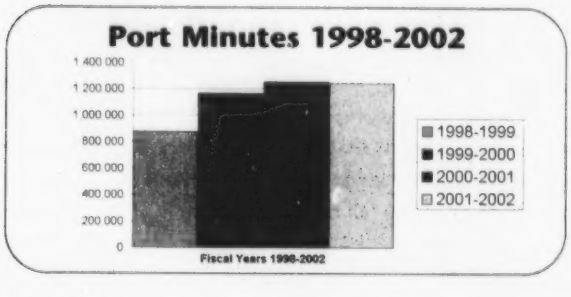
AUDIO CONFERENCING

MERLIN owns and operates a 68-port digital audio bridge that provides school divisions and post-secondary institutions with an option for course delivery and communication. Other government departments and organizations subsidize the cost to education by using excess bridge time. Costs are 30% less than the public service provider rates.

Fiscal Years	Total Port Minutes	Explanation
1998-1999	874,500	1
1999-2000	1,162,508	2
2000-2001	1,250,741	3
2001-2002	1,245,212	4

1. Bridge used solely by Teacher-Mediated Option
2. Extended to other institutions/groups/organizations/departments
3. Government Services (GS) utilizes bridge for departmental reservations
4. GS ceases their service and MERLIN attempts to recapture the government segment; TMO experiences lower enrolments; Post-secondary use increases

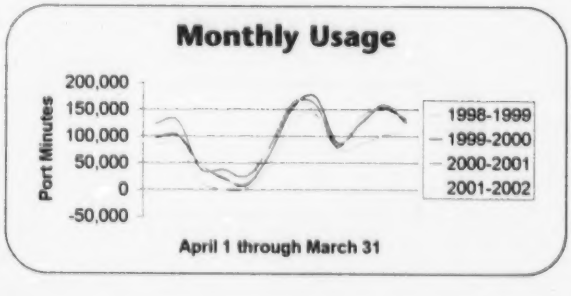
Client Base	
TMO	681,054
Post-Secondary	90,742
Red River College	183,504
Dept Education	28,453
School Divisions	11,799
Other Departments	222,610
External	17,699
MERLIN	9,351
Total:	**1,245,212**



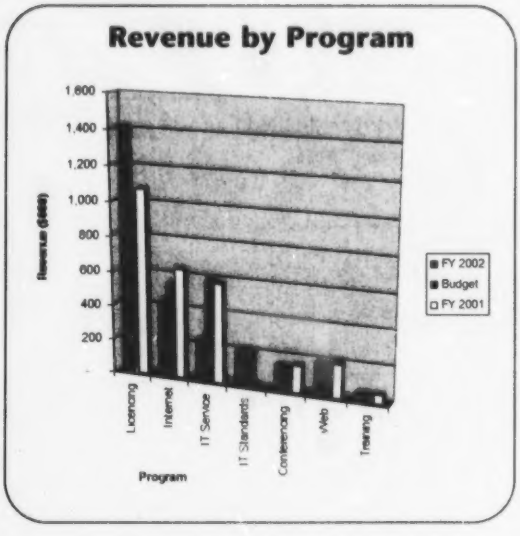
"This tool is an invaluable asset to our program and it is essential for the operation of the provincial fire program. We use it as a normal operational tool in our business".

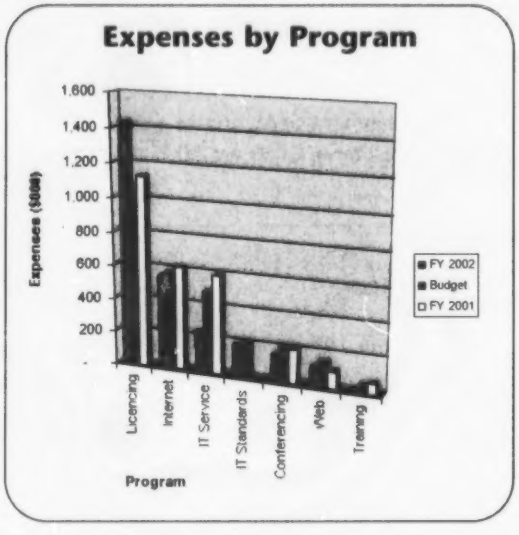
Bob Buck,
Superintendent of the Fire Program,
Regional Operations Division

Conferencing Port Minutes Monthly Flow Chart 1998-2002



Financial Statement Analysis





Future Outlook

- MERLIN has recently installed an educational portal environment, based on SUN's iPlanet architecture, for Manitoba schools' use. The Agency is targeting the beginning of September 2002 to make the portal environment available to all Manitoba schools at a reasonable cost.
- The Agency is expecting to connect to MRnet, Manitoba's connection to very high-speed (at least 1 Gb/s) education and research networks including CA*net 4. This connection will be available at no extra charge to schools that connect through MERLIN's Internet service and will provide access to a growing inventory of broadband content. Access will likely be available to Manitoba schools in the fall of 2002.
- MERLIN's Advisory Board will be revamped in the 2002-03 fiscal year to contribute to a new vision and provide a new function. The role of the Advisory Board will be to provide advice and feedback on the Agency's strategic direction, changes to its mandate, business practices and finances. The Board comments on the Agency's performance through the review of proposed business plans as well as quarterly and annual reports. The Advisory Board ensures that MERLIN's priorities are aligned with those of the Department and the school system.

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Management Report

The accompanying financial statements are the responsibility of the Management of Manitoba Education, Research and Learning Information Networks (MERLIN) and have been prepared in accordance with generally accepted accounting principles. In Management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating Management's best judgement regarding all necessary estimates and all other data available up to June 4, 2002.

Management maintains internal controls to properly safeguard MERLIN's assets. These controls also provide reasonable assurance that the books and records from which financial statements are derived accurately reflect all transactions, and that established policies and procedures are followed.

The Auditors' responsibility is to express an independent opinion on whether the financial statements of MERLIN are fairly presented in accordance with generally accepted accounting principles. The Auditor's report outlines the scope of the audit examination and provides an audit opinion.

On behalf of Management,

GREG BAYLIS
Chief Operating Officer

W. WAYNE LAVALLEE
Controller

Manitoba Education, Research and Learning Information Networks (MERLIN)

June 4, 2002

BDO

BDO Dunwoody LLP
Chartered Accountants
and Consultants
www.bdo.ca

700 - 200 Graham Avenue
Winnipeg, Manitoba Canada R3C 4L5
Telephone (204) 956-7200
Telefax (204) 926-7201

Auditors' Report

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of **MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS**, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2002 and the statements of income and deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
June 4, 2002

Year ended March 31, 2002

BALANCE SHEET
(in thousands of dollars)

	2002	2001
ASSETS		
CURRENT ASSETS		
Accounts receivable	$ 292	$ 574
Prepaid expense	50	30
Short-term investment	–	191
Inventory	–	2
	342	797
RECEIVABLE FROM THE PROVINCE OF MANITOBA (note 1)	47	47
CAPITAL ASSETS (note 2)	355	296
	$ 744	$ 1,140
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Working capital advances (note 3)	717	286
Accounts payable and accrued expenses	221	833
Unearned revenue	39	64
Trust liabilities (note 5)	109	261
	1,086	1,444
SEVERANCE PAY LIABILITY (note 6)	52	46
	1,138	1,490
COMMITMENTS (note 9)		
DEFICIT (page 22)	(394)	(350)
	$ 744	$ 1,140

Year ended March 31, 2002

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(in thousands of dollars)

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Audited Financial Statements

Year ended March 31, 2002

STATEMENT OF INCOME AND DEFICIT
(in thousands of dollars)

	2002	2001
REVENUE		
Provincial licencing and purchasing	$ 1,410	$ 1,073
Internet services	440	636
Information technology services	240	579
Provincial technology standards	200	–
Electronic conferencing	150	159
Web delivery services	181	194
Technical training services	42	52
	2,663	2,693
EXPENSES		
Provincial licencing and purchasing	1,436	1,130
Internet services	551	617
Information technology services	238	589
Provincial technology standards	191	–
Electronic conferencing	156	205
Web delivery services	117	105
Technical training services	18	63
	2,707	2,709
NET INCOME (LOSS)		
Provincial licencing and purchasing	(26)	(57)
Internet services	(111)	19
Information technology services	2	(10)
Provincial technology standards	9	–
Electronic conferencing	(6)	(46)
Web delivery services	64	89
Technical training services	24	(11)
	(44)	(16)
DEFICIT – BEGINNING OF YEAR	(350)	(334)
DEFICIT – END OF YEAR	$ (394)	$ (350)

Manitoba • Education • Research • Learning • Information • Networks

Year ended March 31, 2002

STATEMENT OF CASH FLOWS
(in thousands of dollars)

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (44)	$ (16)
Adjustment for Amortization	102	81
	58	65
Changes in non-cash working capital		
Accounts receivable	282	466
Prepaid expenses	(18)	(28)
Short-term investment	191	(52)
Accounts payable	(612)	160
Unearned revenue	(25)	(15)
Trust liability	(152)	161
	(334)	692
	(276)	757
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital assets	(161)	(190)
CASH FLOWS FROM FINANCING ACTIVITIES		
Pension liability	–	(181)
Severance liability	6	7
	6	(174)
NET INCREASE (DECREASE) IN CASH	(431)	393
WORKING CAPITAL ADVANCES - BEGINNING OF YEAR	(286)	(679)
WORKING CAPITAL ADVANCES - END OF YEAR	$ (717)	$ (286)

Audited Financial Statements

Year ended March 31, 2002

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(in thousands of dollars)

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DEFICIT – BEGINNING OF YEAR	(350)	(334)
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Manitoba • Education • Research • Learning • Information • Networks

MERLIN

STATEMENT OF CASH FLOWS
(in thousands of dollars)

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Summary of Significant Accounting Policies

Year ended March 31, 2002

NATURE OF ORGANIZATION

Effective April 1, 1995, Manitoba Education, Research and Learning Information Networks (MERLIN) was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business like manner according to public policy expectations.

A Management Agreement between SOAFA and the Minister of Education, Training and Youth assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of SOAFA.

The Agency continues to be part of Manitoba Education, Training and Youth under the general and policy direction of the Minister.

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

The Agency is economically dependent on the Province of Manitoba as it derives much of its revenue and all of its financing requirements from the Province.

BASIS OF REPORTING

The financial statements of the Agency are presented in accordance with Canadian generally accepted accounting principles.

CAPITAL ASSETS

Capital assets are recorded at cost and are amortized annually on a straight-line basis as follows:

Computer hardware	20%
Computer software	20%
Equipment and furniture	20%

In the period of acquisition, amortization is calculated at one-half the rate indicated.

Manitoba • Education • Research • Learning • Information • Networks

Year ended March 31, 2002

1 RECEIVABLE FROM THE PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of the Agency prior to designation as a Special Operating Agency and for severance pay benefits prior to March 31, 1998. This receivable, or portion thereof, for the Agency will be collected in the event there is a cash shortfall. However, this is only likely to happen on the dissolution of the Agency. The balance is comprised of:

	2002	2001
Vacation entitlements	$ 19	19
Severance pay benefits	28	28
	$ 47	47

2 CAPITAL ASSETS

	2002		2001	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware	$ 393	157	328	123
Computer software	57	35	65	33
Equipment and furniture	173	76	121	62
	623	268	514	218
Cost less accumulated amortization	$ 355		296	

3 WORKING CAPITAL ADVANCES

These advances are provided to the Agency through the Special Operating Agencies Financing Authority pursuant to the Management Agreement. The Agency has an authorized line of working capital advances of $2.0 million.

4 ACCRUED VACATION ENTITLEMENTS

The Agency follows the policy of the Department of Finance to recognize the vacation entitlement liability accumulated to March 31, 1998. The liability at this date is offset by a receivable from the Province and was $19 as at March 31, 1998. Any subsequent changes to the entitlement are reflected as a current year expense to the Agency. At the end of the fiscal year 2001/2002 the accrued vacation entitlement was $70 ($83 - 2001).

5 TRUST LIABILITIES

		2002	2001
Campus Manitoba	$	-	43
Grassroots Internet		109	218
	$	109	261

Campus Manitoba represents the balance remaining of funds received from Manitoba Education, Training and Youth for distance education costs.

During the previous fiscal years the Agency entered into agreements with Industry Canada to operate GrassRoots Internet projects for both Manitoba and Canadian school. The balance in the account represents funds paid to the Agency not yet dispersed to the schools.

6 SEVERANCE PAY LIABILITY

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The estimate of the liability at that time was based on an actuarial valuation report.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 calculated at $28 was completely offset by a receivable from the Province.

In accordance with the formula provided in the most recent actuarial valuation report (March 31, 2000), the Agency's liability has been calculated to be $52 as at March 31, 2002 ($46 - 2001).

7 EMPLOYEE PENSION BENEFITS

Employees of the Agency are eligible for pension benefits in accordance with the provisions of The Civil Service Superannuation Act, administered by the Civil Service Superannuation Board (CSSB).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees, subject to the following conditions. During the 2002 fiscal year, in accordance with the terms of the agreement, the Agency transferred to the Province funds equal to the net assets required to discharge its pension obligation as at March 31, 2001. Commencing April 1, 2001, the Agency is also required to pay to the Province an amount equal to its employee's current pension contributions.

Hence, as at March 31, 2002, the Agency has discharged its pension obligations and has no outstanding liability.

8 REVENUE – MANITOBA EDUCATION, TRAINING AND YOUTH

The Agency is responsible for the delivery of distance education and technology programs formerly provided through the Manitoba Education, Training and Youth. The Agency receives a fee from the Department, established annually and paid quarterly, in exchange for delivery of these services.

9 COMMITMENTS

The Agency leases office space and certain equipment under long-term leases which expire at various dates. The future minimum payments required under these leases over the next four fiscal years are:

2003	$ 55,843
2004	54,655
2005	54,655
2006	52,000

10 COMPARATIVE FIGURES

Reporting income and expenses for the current fiscal year has been revised to reflect changes in programs and services provided by MERLIN. As a result, the March 31, 2001 income statement has been restated for comparative purposes. The net income and deficit remain unchanged.

SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE

(in thousands of dollars)

EMPLOYEE	TITLE	COMPENSATION
Ackland, Cathy	Conferencing Coordinator	$ 59
Anderson, Wilson	Senior Consultant	57
Baylis, Greg	Chief Operating Officer	87
Greider, Warren	Consultant, Internet Technologies	61
Hiebert, John	Consultant, Networking Technologies	56
Jennings, Debra	Regional Representative	56
Lafond-D'Heilly, Colette	Communications and Marketing Manager	54
Lavallee, Wayne	Controller	58
Wallin, Grant	Manager, Information and Communication Technologies	73

The Public Sector Compensation Disclosure Act requires all publicly funded bodies to disclose compensation to any employee or board member when such compensation exceeds $50 per annum.

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5th Annual

Technology Day

Feedback on the overall event:	Excellent	Very Good	Good
Selection of Presentations	35.5%	54.8%	9.7%
Opportunities for networking	67.7%	19.4%	12.9%
Theme Relevance	45.2%	38.7%	16.1%
Timing/Date	54.8%	35.5%	9.7%
Facilities	67.7%	32.3%	